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GOVERNOR

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DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT
LANSING

STEVE ARWOOD
DIRECTOR

July 13, 2016

The Honorable Ed McBroom
Chairman, House Oversight & Ethics Committee
Anderson House Office Building
Lansing, MI 48933

Dear Chairman McBroom:

On behalf of the administration and the Unemployment Insurance Agency (UIA), we want to thank you, the Oversight & Ethics Committee and the Unemployment Reform Subcommittee for your interest and hard work on behalf of unemployment insurance claimants in Michigan. We appreciate the opportunity provided to us to testify on several occasions throughout this process. The system to assist Michiganders during tough times of job loss and reemployment continues to improve and we welcome the input of the legislature. As mentioned in committee, the UIA has already implemented a number of recommendations that were raised and discussed during the past few months.

Parts of House Bill 4982 codify into statute some of the best practices learned over the past few years and we support the legislature in that goal. For example, as of August 2015, the UIA no longer uses an automated system to issue fraud determinations. Rather, staff investigates, reviews and makes the determination in all fraud cases, contacting the claimant and/or employer if additional information is needed.

Moreover, we know that people look to us when they are facing difficult times. That is why we are pleased that for the first time in many years for calendar year 2015, the UIA met or exceeded U.S. Department of Labor (USDOL) customer service standards in connection with the quality and timeliness of unemployment determinations. This includes the timeliness of issuing the first payment to people needing the benefits. In other words, people applying for benefits and found eligible are receiving assistance much more quickly than in the past.

However, there are a number of recent additions to the bill that create concern.

If a requirement of a second certified-mail notification and additional 30-day timeframe for unresponsive claimants is created, as proposed in HB 4982, it will create uncertainty for employers and prevent the agency from issuing determinations timely as required by the USDOL and treating claimants equally. More importantly, it does not take into consideration the message it sends to claimants who respond to us in a timely manner. In effect, this new requirement gives claimants who choose not to respond to an agency's determination a "second bite at the apple." Meanwhile, a claimant who timely responded under current law is not afforded the same opportunity or extended timeline.

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Additionally, if the UIA is required to reopen cases for newly presented evidence over a period of three years, it will create uncertainty for employers and potentially slow down the agency's review of cases. That could lead to a backlog and not issuing payments in a timely manner. Currently, claimants and employers have many stages of appeal and opportunity to present a case. In fact, Michigan is one of only a handful of states that offer this quantity of due process opportunities. The current one-year limitation for a redetermination of an agency decision provides claimants and employers with sufficient time for reconsideration before entering the administrative hearing system for further review. Beyond that, employers will bear the burden of uncertainty in their tax rates. This is unnecessary and unfair.

Finally, the addition of state-funded advocates for claimants accused of fraud raises issues of funding and fairness. The legislature appropriates \$1.5 million each fiscal year for the advocacy program that provides consultation and representation to claimants and employers to help navigate administrative hearings. Michigan is the only state to provide this type of program for claimants and employers. During times of high unemployment, those funds are expended before the end of the fiscal year. As a matter of public policy and limited funds, a restriction on access to those services is that the claimant or employer must not be accused of defrauding the system. Therefore, we have concerns with providing advocacy services to those who have potentially defrauded the taxpayers and the State of Michigan.

The UIA is committed to continuing to look at ways of improving its services and stands ready to tackle any issues that cause barriers to having an efficient and customer-friendly unemployment insurance program. Our goal is to ensure that Michiganders who lose their job through no fault of their own get the help they need and are treated fairly throughout the process.

We look forward to continuing to work with the bill's sponsor and others as the process moves forward.

Sincerely,



Stephanie Comai, Director
Michigan Talent Investment Agency

cc: Members of the House Oversight & Ethics Committee
Representative Roger Victory